

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 COME-00 DOTE-00 EB-11 FMC-04 CG-00 COA-02

DLOS-07 SWF-02 DRC-01 /122 W
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P 292315Z MAY 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 3228

C O N F I D E N T I A L GUATEMALA 2917

E.O. 11652: GDS

TAGS: ETRN, GT

SUBJECT: RESERVE CARGO DECREE 39-74; FURTHER DEVELOPMENTS

REF: GUATEMALA A) 2763, B) 2862

1. FLOMERCA PRESIDENT MARTINEZ DEL ROSAL AND MANAGER MIRON MET WITH PRESIDENT ARANA AND SECRETARY GENERAL OF PRESIDENCY YESTERDAY, MAY 27. ALTHOUGHT ORIGINAL PURPOSE OF VISIT WAS CEREMONIAL, FLOMERCA OFFICIALS TOOK ADVANTAGE OF OPPORTUNITY TO ADVISE PRESIDENT OF WHAT THEY CONSIDER TO BE HARMFUL ASPECTS OF DECREE 39-74 (SEE REF B) AND INFORMED HIM OF FLOMERCA'S AND WIDESPREAD PRIVATE SECTOR OPPOSITION TO DECREE. MIRON TOLD EMBOFF THAT PRESIDENT AGREED VETO DECREE IF NECESSARY BUT PREFERS HAVE CONGRESS WITHDRAW IT.

2. CURRENT STATUS OF DECREE UNKNOWN, BUT IT HAS NOT YET REACHED PRESIDENT'S OFFICE. PRIOR FLOMERCA'S MEETING WITH ARANA, CONGRESS ON MAY 24 HAD MODIFIED DECREE SLIGHTLY BY ESTABLISHING AS UPPER LIMITED OF RESERVE CARGO FORTY PER CENT INSTEAD OF FIFTY PER CENT.

3. MIRO ADVISED EMBOFF THAT FLOMERCA NOW WANTS NO NEW LEGISLATION AS THEY VERY HAPPY WITH EXISTING PROTECTION
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AFFORDED BY GOG. PRIVATE SHIPPING SECTOR SOURCE SUGGESTED

THIS PARTIALLY RESULT OF CURRENT FINANCIAL POSITION OF FLOMERCA WHICH DOES NOT ALLOW FOR NEW SHIP PURCHASES AND POSSIBLE DESIRES OF FLOMERCA AUTHORITIES TO MAINTAIN THEIR POSITIONS DURING THE LAUGERUD ADMINISTRATION.

4. MEANWHILE, PRIVATE SECTOR OPPOSITION TO DECREE GAINING MOMENTUM. EMERGENCY MEETING HELD THIS MORNING BY GUATEXPRO (GOG EXPORT PROMOTION AGENCY, WITH FOUR GOG MINISTERS ON ITS BOARD) WITH PURPOSE BEING REQUEST THAT PRESIDENT VETO BILL. RESULTS THIS MEETING NOT YET KNOWN TO US. ADDITIONALLY, THIS AFTERNOON MEETING BEING HELD OF DIRECTORS SANTO TOMAS DE CASTILLO FREE TRADE ZONE AT WHICH THEY ALSO EXPECTED CALL FOR VETO OF DECREE. ALSO REPORT BEING PREPARED BY CHAMBER OF COMMERCE FOR PRESIDENT-ELECT LAUGERUD TO ADVISE HIM OF PROBLEMS WHICH AWAIT HIM IF DECREE BECOMES LAW. ON MAY 24, CHAMBER OF COMMERCE REPRESENTATIVES HAD MEETING SCHEDULED WITH PRESIDENT OF CONGRESS SANDOVAL ALARCON. HOWEVER, SANDOVAL HAD CONGRESS VICE-PRESIDENT HECTOR ANDRADE MEET WITH CHAMBER. ON BEING INFORMED OF REASONS FOR CHAMBER'S AND OTHER PORTIONS OF PRIVATE SECTOR'S OPPOSITION TO DECREE, ANDRADE PROFESSED HIS PRIOR IGNORANCE OF DECREE'S POSSIBLE NEGATIVE EFFECTS ON LOCAL ECONOMY AND PROMISED LOOK INTO MATTER.

5. COMMENT: WE BELIEVE IT NOW EVEN MORE UNLIKELY THAT DECREE WILL BECOME LAW, BUT AS MORON TOLD EMBOFF, SOMETIMES STRANGE THINGS HAPPEN HERE. WILL CONTINUE TO REPORT DEVELOPMENTS.
MELOY

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